

**SUPERIORLAND LIBRARY COOPERATIVE**

**FINANCIAL STATEMENTS AS OF  
September 30, 2004**

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <u>Superiorland Library Cooperative</u>	County <u>Marquette</u>
Audit Date <u>9/30/04</u>	Opinion Date <u>1/12/05</u>	Date Accountant Report Submitted to State: <u>2/18/05</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <u>Anderson Tackman &amp; Co PLLC</u>			
Street Address <u>102 W Washington, Suite 109</u>	City <u>Marquette</u>	State <u>MI</u>	ZIP <u>49855</u>
Accountant Signature <u>A. Uccia Hills CPA</u>			

## TABLE OF CONTENTS

Independent Auditor's Report .....	3
Management's Discussion and Analysis .....	5
Statement of Net Assets and Governmental Funds Balance Sheet .....	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Activities .....	10
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance .....	11
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities .....	12
Notes to Financial Statements .....	13
Other Supplemental Financial Information	
General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balances .....	21
Independent Auditor's Report on Compliance and Other Matters and on Internal Controls over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	23



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

The Superiorland Library  
Cooperative Board  
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities and each major fund of Superiorland Library Cooperative as of and for the year ended September 30, 2004, which collectively comprise the Superiorland Library Cooperative's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Superiorland Library Cooperative's management. Our responsibility is to express an opinion on these financial statements based upon our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Superiorland Library Cooperative as of September 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 12, 2005, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. That report can be found on page 16.

As described in Note A to the basic financial statements, the Superiorland Library Cooperative adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* and Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus* as of October 1, 2003.

The Superiorland Library  
Cooperative Board  
Marquette, Michigan 49855

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Superiorland Library Cooperative's basic financial statements. The individual fund financial statements listed as Other Supplemental Financial Information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

January 12, 2005

## Superiorland Library Cooperative MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Superiorland Library Cooperative's financial performance provides an overview of the Cooperative's financial activities for the year ended September 30, 2004. Please read it in conjunction with the financial statements, which begin on page 9.

### FINANCIAL HIGHLIGHTS

- The Cooperative's net assets were reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years, comparative information will be presented in various schedules throughout the MD&A. Net assets for the Cooperative as a whole were reported at \$374,039. Net assets are comprised of 100% governmental activities.
- During the year, the Cooperative's total expenses were \$588,400, while revenues from all sources totaled \$609,313 resulting in an increase in net assets of \$20,913.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 and 11) provide information about the activities of the Cooperative as a whole and present a longer-term view of the Cooperative finances.

#### Reporting the Cooperative as a Whole

One of the most important questions asked about the Cooperative's finances is "Is the Cooperative as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Cooperative as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Cooperative's *net assets* and changes in them. You can think of the Cooperative's net assets - the difference between assets and liabilities - as one way to measure the Cooperative's financial health, or *financial position*. Over time, *increases or decreases* in the Cooperative's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Cooperative's operating base and the condition of the Cooperative's capital assets, to assess the *overall financial health* of the Cooperative.

In the Statement of Net Assets and the Statement of Activities, we report all of the Cooperative's activities as governmental activities. Federal and State grants along with contracted revenues finance most of these activities.

#### Reporting the Cooperative's Most Significant Funds

The Cooperative only reports one fund which is the General Fund. The fund financial statements are reported in combination with the government-wide financial statements beginning on page 9. The General Fund, a governmental fund, is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the Cooperative's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Cooperative's program. We describe the relationship (or

**Superiorland Library Cooperative**  
**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)(Continued)**

differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in reconciliations which follows each of the Statement of Net Assets and Statement of Activities.

**Superiorland Library Cooperative as a Whole**

Table 1 provides a summary of the Cooperative's net assets as of September 30, 2004.

**Table 1**  
**Net Assets**

	2004
Current and other assets	\$264,767
Capital assets, net	<u>137,751</u>
Total Assets	<u>402,518</u>
Current liabilities	5,212
Noncurrent liabilities	<u>23,267</u>
Total Liabilities	<u>28,479</u>
Net Assets:	
Invested in capital assets	137,751
Restricted	10,396
Unrestricted	<u>225,892</u>
Total Net Assets	<u>\$374,039</u>

Net assets of the Cooperative's governmental activities stood at \$374,039. Restricted net assets of \$10,396 relate to the Lilja Trust Fund restricted by the trust agreement. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities stood at \$225,892.

The \$225,892 in unrestricted net assets represents the accumulated results of all past years' operations. The results of this year's operations for the Cooperative as a whole are reported in the Statement of Activities (See Table 2), which shows the changes in net assets for fiscal year 2004. Since this is the first year the Cooperative has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2003 is not available.

**Table 2**  
**Changes in Net Assets**

	2004
Program revenues:	
Charges for services	\$151,033
Operating grants and contributions	249,297
General revenues:	
Sources not restricted to specific program	198,831
Interest earnings	3,159
Miscellaneous	<u>6,993</u>
Total Revenues	<u>609,313</u>
Program Expenses:	
Library services	587,078
Capital outlay	<u>1,322</u>
Total Expenses	<u>588,400</u>
Change in net assets	20,913
Net assets, beginning	<u>353,126</u>
Net Assets, Ending	<u>\$374,039</u>

**Superiorland Library Cooperative**  
**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)(Continued)**

The Cooperative's total revenues were \$609,313. The total cost of all programs and services was \$588,400, leaving an increase in net assets of \$20,913 as a result of fiscal year 2004 operations. This increase is positive to the Cooperative because the Cooperative received unanticipated revenue.

**SUPERIORLAND LIBRARY COOPERATIVE'S FUNDS**

As the Cooperative completed the year, its General Fund (the only governmental fund) reported a fund balance of \$259,555 with an increase of \$21,005 from the beginning of the year. This increase was mainly the result of unanticipated revenue from one-time grants from the Library of Michigan to improve Library services for people who are unemployed.

**General Fund Budgetary Highlights**

The Cooperative's Board adopted the fiscal year 2004 general fund budget in September 2003 and the budget was amended during the year. The final projected revenues were \$522,289 and projected expenditures were \$522,638 resulting in an anticipated decrease in fund balance of negative \$349. The actual change in fund balance for the year was a positive \$21,005 as a result of unanticipated grants received during the 2004 fiscal year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal 2004, the Cooperative had \$137,751 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

**Table 3**  
**Capital Assets at Year-End**

	2004
Land	\$ 41,500
Furniture & fixtures	96,496
Buildings & improvements	<u>78,000</u>
	215,996
Accumulated depreciation	<u>(78,245)</u>
Totals	<u>\$137,751</u>

**Debt**

The Cooperative has no outstanding debt at year-end.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

In preparing the budget for the year ended September 30, 2005 the Board anticipates a balanced budget with some additional revenue due to the fact the Library of Michigan has approved membership of eight new public libraries in this Cooperative.



**Superiorland Library Cooperative**  
**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

**CONTACTING THE COOPERATIVE FINANCIAL MANAGEMENT**

This financial report is designated to provide our customers, investors and creditors with a general overview of the Cooperative's finances and to show the Cooperative's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Cooperative Administrator at Superiorland Library Cooperative, 1615 Presque Isle Avenue, Marquette, Michigan 49855

SUPERIORLAND LIBRARY COOPERATIVE  
Statement of Net Assets and  
Governmental Funds Balance Sheet  
September 30, 2004

	General Fund	Adjustments	Statement of Net Assets
<b>ASSETS</b>			
Cash and cash equivalents	\$ 190,941	\$ -	\$ 190,941
Accounts receivable	73,151	-	73,151
Prepaid expenses	675	-	675
Land	-	41,500	41,500
Capital assets	-	174,496	174,496
Accumulated depreciation	-	(78,245)	(78,245)
<b>TOTAL ASSETS</b>	<u>\$ 264,767</u>	<u>137,751</u>	<u>402,518</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 5,212	-	5,212
Deferred revenue	-	-	-
Long-term liabilities:			
Accrued sick leave	-	23,267	23,267
<b>TOTAL LIABILITIES</b>	<u>5,212</u>	<u>23,267</u>	<u>28,479</u>
<b>FUND BALANCE/NET ASSETS</b>			
<b>Fund Balance:</b>			
Reserved - Lilja Memorial Library Fund	10,396	(10,396)	-
Designated - Sick leave	23,267	(23,267)	-
Unreserved and undesignated	225,892	(225,892)	-
<b>TOTAL FUND BALANCE</b>	<u>259,555</u>	<u>(259,555)</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 264,767</u>		
<b>Net Assets:</b>			
Invested in capital assets, net of related debt		137,751	137,751
Restricted		10,396	10,396
Unrestricted		225,892	225,892
<b>TOTAL NET ASSETS</b>		<u>\$ 374,039</u>	<u>\$ 374,039</u>

The accompanying notes to financial statements are an integral part of this statement.

**SUPERIORLAND LIBRARY COOPERATIVE**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**September 30, 2004**

**Total Fund Balances for Governmental Funds** **\$ 259,555**

*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds.

Cost of capital assets	215,996	
Accumulated depreciation	<u>(78,245)</u>	
		137,751

Long-term liabilities are not due and payable in the current period and are  
not reported in the funds. Long-term liabilities at year-end consist of  
accrued sick leave.

(23,267)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES**

**\$ 374,039**

The accompanying notes to financial statements are an integral part of this statement.

SUPERIORLAND LIBRARY COOPERATIVE  
Statement of Activities and  
Governmental Fund Revenues, Expenditures,  
and Changes in Fund Balance  
For the year ended September 30, 2004

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/Expenses:			
Library services	\$ 567,741	\$ 19,337	\$ 587,078
Capital outlay	<u>20,567</u>	<u>(19,245)</u>	<u>1,322</u>
Total Expenditures/Expenses	<u>588,308</u>	<u>92</u>	<u>588,400</u>
Program Revenues:			
Charges for services	151,033	-	151,033
Operating grants and contributions	<u>249,297</u>	<u>-</u>	<u>249,297</u>
Total Program Revenues	<u>400,330</u>	<u>-</u>	<u>400,330</u>
Net Program Expense			<u>188,070</u>
General Revenues:			
State grants - unrestricted	198,831	-	198,831
Interest income	3,159	-	3,159
Miscellaneous	<u>6,993</u>	<u>-</u>	<u>6,993</u>
Total General Revenues	<u>208,983</u>	<u>-</u>	<u>208,983</u>
Excess of Revenues over Expenditures	21,005	(21,005)	-
Change in Net Assets		(20,913)	20,913
Fund Balance/Net Assets:			
Beginning of the year	<u>238,550</u>	<u>114,576</u>	<u>353,126</u>
End of the year	<u>\$ 259,555</u>	<u>\$ 72,658</u>	<u>\$ 374,039</u>

The accompanying notes to financial statements are an integral part of this statement.

**SUPERIORLAND LIBRARY COOPERATIVE**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures**  
**and Changes in Fund Balance to the Statement of Activities**  
**For the year ended September 30, 2004**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>21,005</b>
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*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	16,102	
Capital outlays	<u>(19,245)</u>	3,143

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(3,235)

<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>20,913</u></b>
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The accompanying notes to financial statements are an integral part of this statement.

SUPERIORLAND LIBRARY COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The operations of the Superiorland Library Cooperative (the Cooperative) are accounted for with a separate set of self-balancing accounts. The accounting policies of the Cooperative conform to generally accepted accounting principles as applicable to governments and the following is a summary of the more significant policies:

**BASIS OF PRESENTATION**

During the year the Cooperative adopted Governmental Accounting Standards Board (GASB) Statement No. 34, which substantially revised the financial statement presentation as described below.

*Government-Wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the Cooperative as a whole. They include all governmental activities which are generally financed through State sources, charges for services, and other revenues. Equity is classified as net assets and displayed in three components – invested in capital assets, restricted, and unrestricted.

*Fund Financial Statements:*

The accounts of the Cooperative are organized on the basis of funds. The operations of the Cooperative's only fund, the General Fund, are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The General Fund is a governmental fund and it is used to account for all financial resources of the Cooperative.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

*Measurement Focus*

On the government-wide Statement of Net Assets and the Statement of Activities, the governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- a. The General Fund governmental fund utilizes a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable resources at the end of the period.
- b. The government-wide statements utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Government-wide fund equity is classified as net assets.

### *Basis of Accounting*

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are generally recognized when the related fund liability is incurred.

## OTHER SIGNIFICANT ACCOUNTING POLICIES

### Cash and Equivalents

The Cooperative's cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.

### Capital Assets

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

In the government-wide financial statements, all capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The Cooperative defines capital assets as assets with an initial, individual cost of more than \$1,000.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	50 years
Furniture and fixtures	3 – 20 years

The cost of normal maintenance and repairs is charged to operations as incurred. Renewals and betterments are capitalized and depreciated over the remaining useful lives of the related properties.

### Compensated Absences

The Cooperative's policies regarding compensated absences permits employees to accumulate earned but unused sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

### Revenues

In the government-wide Statement of Activities, revenues are segregated by activity and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the Cooperative's policy to use the restricted resources first.

### Expenses/Expenditures

In the government-wide Statement of Activities, expenses are segregated by activity and are classified by function. In the governmental fund statements, expenditures are classified by character such as current operations and capital outlay.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Implementation of New Accounting Principles

Effective October 1, 2003, the Cooperative implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments* (GASB No. 34) and Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* (GASB No. 37). Changes to



## **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

The Cooperative's financial statements as a result of GASB No. 34 and GASB No. 37 are as follows:

- A Management's Discussion and Analysis (MD&A) section providing analysis of the Cooperative's overall financial position and results of operations has been included.
- Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the Cooperative's activities has been provided.
- Capital assets in the Statement of Net Assets includes assets totaling \$196,751 previously reported in the General Fixed Asset Account Group.
- Debt in the Statement of Net Assets includes debt totaling \$20,032 previously reported in the General Long-Term Debt Account Group.

## **NOTE B - REVENUES:**

The Superiorland Library Cooperative receives its revenues from Federal and State governments in the form of grants-in-aid. The Cooperative also received State support for local member libraries based on population and square miles of areas covered.

## **NOTE C - DEFINED BENEFIT PENSION PLAN:**

### Plan Description

The Superiorland Library Cooperative's defined benefit pension plan, the Michigan Municipal Employees Retirement System ("System"), provides retirement and disability benefits, annual cost-of-living adjustment, and death benefits to plan members and beneficiaries. The system, an agent multiple-employer public employee retirement system acts as a common investment and administrative agent for all Michigan municipal employees.

### Funding Policy

System members are required to contribute 4.5% of their annual compensation. The Superiorland Library Cooperative is required to contribute at an actuarially determined rate; the current rate is 1.02% of annual covered payroll. The contribution requirements of plan members is set by the Superiorland Library Cooperative. The Superiorland Library Cooperative's contribution requirements are established and may be amended by the Michigan Municipal Employee Retirement System's Retirement Board.

### Annual Pension Cost

For 2004, the Superiorland Library Cooperative's annual pension cost of \$3,219 for the system was equal to the Superiorland Library Cooperative's required and actual contributions. The required contribution was determined as part of the December 31, 2001 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 8% investment rate of return (net of expenses) and (b) projected salary increases of 4.5% to 8.7% per year. The systems unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at December 31, 2001 was 30 years.

**NOTE C - DEFINED BENEFIT PENSION PLAN (Continued):**

**Three-Year Trend Information for the System**

The three-year trend information was not provided by the actuary.

**REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Funding Progress for the System**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actual Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/98	\$314,245	\$210,200	\$(104,044)	149 %	%111,122	0%
12/31/99	367,328	237,745	(129,583)	154 %	116,263	0%
12/31/00	409,733	277,517	(132,216)	148 %	119,688	0%
12/31/01	449,812	428,473	(21,339)	105 %	99,240	0%
12/31/02	474,644	456,365	(18,279)	104 %	100,773	0%
12/31/03	522,293	482,591	(39,702)	108 %	101,472	0%

**NOTE D - ACCRUED SICK LEAVE:**

The entity records on the government-wide Statement of Net Assets the accrued liability arising from accumulated vested sick leave which is payable to entity employees when they separate from employment. The employees are compensated for sick leave on a scale based on years of service with the Cooperation. The entity's sick leave policy provides for up to one-half of an employee's accumulated sick leave hours to be paid to the employee if they have worked with the entity for at least 8 years. For employees with less than 8 years of service, sick leave payable upon separation ranges from 10%-40% depending on the number of years employed with the Cooperative. The non-current portion of accumulated sick leave payable as of September 30, 2004 and 2003 is as follows:

	<u>2004</u>	<u>2003</u>
Sick Leave	<u>\$23,267</u>	<u>\$20,032</u>

**NOTE E - DEPOSITS AND INVESTMENTS:**

At year end, the Cooperative's book and bank balances were \$190,941 and \$201,425, respectively, of which \$197,181 was insured by the Federal Deposit Insurance Corporation (FDIC) under Regulation number 330.8. The remaining balance of \$4,244 is uninsured and uncollateralized. This regulation in summary provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000 in every financial institution that is not a branch location that is a member of the FDIC in the following deposit accounts:

**NOTE E - DEPOSITS AND INVESTMENTS (Continued):**

1. All demand, non-interest bearing accounts in the name of the authorized or statutory custodian of public funds.
2. All savings deposits which include regular passbook, daily interest savings and time certificates of deposit in the name of the governmental unit's custodian.
3. Each bookholder is insured pro-rata for the lesser of the amount on deposit in the debt retirement account or \$100,000. Each separate debt issue or debt series is similarly insured.
4. The demand accounts and savings accounts as defined in items 1 and 2 above for those bank accounts in the name of a specific fund when all of the following criteria is applicable.
  - a. The fund is created by a specific State statute.
  - b. The functions of the fund are specified by State statute.
  - c. Money is allocated by State statute for the exclusive use of that fund and statutory function.

Statutory Authority

Act 196, PA 1997, authorized the Cooperative to deposit and invest in:

1. Bonds, securities, and other direct obligations of the United States or its agencies.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the National Credit Union Administration that are eligible to be depositories of surplus money belonging to the State under section 5 or 6 of Act 105, PA 1855, as amended.
3. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
4. United States government or Federal agency obligation repurchase
5. Banker's acceptance of United States banks.
6. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.
7. Obligation of the State of Michigan or its political subdivisions which are rated investment grade.
8. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

## NOTE E - DEPOSITS AND INVESTMENTS (Continued):

The Cooperative has no investments at September 30, 2004

Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

## NOTE F – CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2004 is as follows:

Asset Cost:	Balance 9-30-03	Additions	Retirements	Balance 9-30-04
Land	\$ 41,500	\$ -	\$ -	\$ 41,500
Buildings and improvements	78,000	-	-	78,000
Furniture and fixtures	<u>77,251</u>	<u>19,245</u>	<u>-</u>	<u>96,496</u>
Total Asset Cost	<u>196,751</u>	<u>19,245</u>	<u>-</u>	<u>215,996</u>
Accumulated Depreciation:				
Buildings and improvements	(20,600)	(1,560)	-	(22,160)
Furniture and fixtures	<u>(41,543)</u>	<u>(14,542)</u>	<u>-</u>	<u>(56,085)</u>
Total Accumulated Depreciation	<u>(62,143)</u>	<u>(16,102)</u>	<u>-</u>	<u>(78,245)</u>
Net Capital Assets	<u>\$134,608</u>	<u>\$ 3,143</u>	<u>\$ -</u>	<u>\$137,751</u>

Depreciation expense charged to governmental activities was \$16,102.

## NOTE G - LONG-TERM DEBT:

Long-term debt of the Cooperative is as follows:

General Long-Term Debt:	Balance 9-30-03	Additions	Retirements	Balance 9-30-04
Sick Leave Payable	<u>\$20,032</u>	<u>\$3,235</u>	<u>\$ -</u>	<u>\$23,267</u>

## NOTE H - DEFERRED COMPENSATION PLAN:

The Superiorland Library Cooperative offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The Plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency. The amounts deferred under the plan are held in a trust for the exclusive benefit of plan participants and their beneficiaries. The plan's participants have the right to designate how the funds will be invested. Therefore, the Cooperative has no liability for losses under the plans.

***OTHER FINANCIAL INFORMATION***

SUPERIORLAND LIBRARY COOPERATIVE  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
For the year ended September 30, 2004

	Designated LSCA/LSTA	Designated - Library For Blind and Physically Handicapped	Designated - Lilja Memorial Library Fund	Designated - Sick Leave	Designated- Reed Act	Designated- Making of Modern Michigan	Unreserved - General	Totals
<b>REVENUES:</b>								
Federal grants	\$ 98,937	\$ -	\$ -	\$ -	\$ 23,166	\$ 25,220	\$ -	\$ 147,323
State grants - local unit membership	-	-	-	-	-	-	87,669	87,669
State grants	-	42,083	-	-	-	-	156,748	198,831
Interest income	-	-	198	-	-	-	2,961	3,159
Contracted service revenue	-	-	-	-	-	-	151,033	151,033
Donations	-	14,160	-	-	-	-	145	14,305
Universal Service Fund	-	-	-	-	-	-	6,616	6,616
Miscellaneous revenue	-	-	-	-	-	-	377	377
<b>TOTAL REVENUES</b>	<b>98,937</b>	<b>56,243</b>	<b>198</b>	<b>-</b>	<b>23,166</b>	<b>25,220</b>	<b>405,549</b>	<b>609,313</b>
<b>EXPENDITURES:</b>								
Personnel services	11,494	51,108	-	-	3,863	17,546	168,293	252,304
Employees Welfare and Benefits:								
Social security	-	3,474	-	-	-	-	14,754	18,228
Hospitalization insurance	-	14,267	-	-	-	2,900	38,074	55,241
Life insurance	-	115	-	-	-	-	220	335
Unemployment compensation	-	181	-	-	-	-	478	659
Retirement	-	600	-	-	-	-	2,619	3,219
Operating supplies	4,276	698	-	-	1,877	2,064	5,410	14,325
Utilities	-	1,150	-	-	-	-	2,379	3,529
Professional and contractual	83,167	1,258	-	-	2,087	-	85,782	172,294
Communication	-	826	-	-	-	-	4,646	5,472
Communication - UPRLC USF	-	-	-	-	-	-	5,214	5,214
Transportation	-	467	-	-	435	1,706	1,699	4,307
Printing and publishing	-	1,437	-	-	-	-	-	1,437
Insurance and bonds	-	-	-	-	-	-	3,923	3,923
Maintenance	-	751	-	-	-	-	4,526	5,277
Rental	-	-	-	-	-	-	18,819	18,819
Conferences/workshops	-	-	-	-	-	-	2,421	2,421

(Continued)  
- 21 -

(Continued)

	Designated LSCA/LSTA	Designated - Library For Blind and Physically Handicapped	Designated - Lilja Memorial Library Fund	Designated - Sick Leave	Designated- Reed Act	Designated- Making of Modern Michigan	Unreserved - General	Totals
EXPENDITURES (Continued):								
Membership fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay:								
Building	-	-	-	-	-	-	737	737
Books	-	-	-	-	-	-	-	-
Audio equipment	-	37	-	-	-	-	-	-
Equipment and furniture	-	-	-	-	-	-	145	182
Computer software	-	-	-	-	13,109	1,004	4,045	18,158
Interest	-	-	-	-	1,795	-	432	2,227
TOTAL EXPENDITURES	98,937	76,369	-	-	23,166	25,220	364,616	588,308
EXCESS REVENUES OVER (UNDER) EXPENDITURES	-	(20,126)	198	-	-	-	40,933	21,005
OTHER FINANCING SOURCES (USES):								
Transfers in	-	20,126	-	3,235	-	-	-	23,361
Transfers out	-	-	-	-	-	-	(23,361)	(23,361)
TOTAL OTHER FINANCING SOURCES (USES)	-	20,126	-	3,235	-	-	(23,361)	-
CHANGE IN FUND BALANCES	-	-	198	3,235	-	-	17,572	21,005
Fund balances, beginning of year	-	-	10,198	20,032	-	-	208,320	238,550
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ 10,396	\$ 23,267	\$ -	\$ -	\$ 225,892	\$ 259,555



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

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ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

## REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Superiorland Library  
Cooperative Board  
Marquette, Michigan

We have audited the financial statements of the governmental activities and each major fund of Superiorland Library Cooperative as of and for the year ended September 30, 2004, and have issued our report thereon dated January 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Superiorland Library Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Superiorland Library Cooperative's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



The Superiorland Library  
Cooperative Board  
Marquette, Michigan

This report is intended solely for the information and use of management, others within the organization, the Board and other federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

January 12, 2005